

Contact: Joan Racki

REGISTER OF IOWA STATE UNIVERSITY
CAPITAL IMPROVEMENT BUSINESS TRANSACTIONS

Action Requested: Consider recommending approval of:

1. The following actions for the **Buchanan Residence Hall – Building #2** project.
 - a. Acknowledge receipt of the University's final submission of information to address the Board's capital project evaluation criteria (see Attachment A);
 - b. Accept the Board Office recommendation that the project meets the necessary criteria for Board consideration;
 - c. Approve the schematic design, and project description and budget (\$49,500,000), with the understanding that approval will constitute final Board approval and authorization to proceed with construction; and
 - d. Approve the financing plan, which includes the Friley Residence Hall – Dining Renovation project, and adoption of A Resolution Declaring an Official Intent Under Treasury Regulation 1.150-2 to Issue Debt to Reimburse Iowa State University of Science and Technology for Certain Original Expenditures Paid in Connection with the Buchanan Residence Hall – Building #2 project.
2. Project Description and budget (\$3,300,000) for the **Larch Residence Hall - Perimeter Wall Modifications** project.
3. Revised project description and budget (\$53,000,000) for the **Jack Trice Stadium Improvements, Phase 3 – South End Zone** project.

Executive Summary:

The University requests approval of the schematic design, project description and budget (\$49,500,000), and financing plan for the **Buchanan Residence Hall – Building #2** project. The project would construct a new residence hall of approximately 151,000 gross square feet to provide approximately 700 beds, and hall community and support spaces. The location of the proposed new residence hall is shown in the schematic design booklet, which is included with the Board's agenda materials.

This project and a portion of the Friley Residence Hall – Dining Renovation project, for which the Board approved the schematic design, and project description and budget at its October 2014 meeting, would be financed by proceeds from the sale of Dormitory Revenue Bonds. The University made the following assumptions in developing the financing plan (through FY 2025), which are reflected in the attached proforma. (See Attachment B.)

- The University projects undergraduate enrollment to be between 29,100 and 29,600 from Fall 2015 through Fall 2024. Apartment and residence hall occupancy: Fall 2014 (FY 2015) occupancy (residence halls, apartments and off-campus apartments leased by the University) is 12,237. The Fall 2015 (FY 2016) occupancy is estimated at 12,301, while Fall 2016 (FY 2017) occupancy is anticipated to be 12,299. Fall 2017 (FY 2018) occupancy is projected at 11,533. (Beginning in FY 2018, interim den spaces and leased off-campus apartments are excluded from occupancy projections.) Occupancy is forecast at 11,530 for FY 2019 – FY 2025.

- Rate increase assumptions: Rate increases from FY 2016 through FY 2025 are assumed to be 3.0% for the residence halls, Frederiksen Court, and leased off-campus apartments, and 2.0% for Schilleter / University Village. Dining rate increases on meal plans are expected to be approximately 3.0%. Odyssey of the Mind revenue was included for FY 2016, but not included in future years since the contract needs to be renegotiated. All other miscellaneous sources of income are assumed to increase by 2.0% annually.
- Cost increases: Assumed annual salary increase of 3.0% for professional & scientific staff and 4.0% for merit and hourly AFSCME staff, with a 4.0% annual increase for maintenance and repair expenses, 3.5% annual increase for electricity and other utility expenses; 2.0% for insurance and public transportation expenses, with all other expense categories anticipated to increase by 3.0% annually.
- Two series of Dormitory Revenue Bonds would be sold for the project. (\$30 million in spring 2015 and \$30 million in fall 2015.) The projected bond issuance amounts include amounts needed for reserve funds and issuance costs in addition to bond proceeds available for the project and the Friley Dining Renovation project previously approved by the Board. A bond interest rate assumption of 3.5% interest was used. Using these assumptions, an additional debt service payment of \$1.4 million was projected in 2015, with a total annual debt service increase of \$4.0 million above FY 2014 beginning in FY 2016.

To issue new bonds, the parity provisions of the bond covenants must be met. These require a coverage ratio of at least 135%. Using FY 2014 net revenues divided by projected annual debt service for the new bonds results in a coverage ratio of approximately 170%.

The University's residence system currently has \$132.2 million in outstanding debt; annual debt service payments on the existing debt are approximately \$12.5 million in FY 2015 through FY 2019, before decreasing to approximately \$11.5 million through FY 2024, with further reductions beyond that year. The last maturity of the existing bonds is FY 2033.

The University requests approval of the project description and budget for the **Larch Residence Hall - Perimeter Wall Modifications**, which would improve the quality of the perimeter exterior wall by installing an insulated drywall partition on the interior side of the perimeter wall in 272 student rooms. The modifications would improve temperature control and reduce condensation. The work to be accomplished is similar to the work undertaken in Willow Residence Hall during the summer of 2014. The project budget of \$3,300,000 would be funded by Dormitory System Improvement Funds. (See Attachment C for a map showing the location of Larch Residence Hall.)

The University requests approval of a revised project description and budget (\$53,000,000, an increase of \$7,000,000) for the **Jack Trice Stadium Improvements – Phase 3 – South End Zone**, a component of the larger project - Jack Trice Stadium Improvements, Phase 3 – South End Zone and Green Space project; the green space component would develop the space between the stadium and Reiman Gardens after the stadium improvements are completed. During detailed design and bidding, following Board approval of the schematic design, additional items were discovered that require an increase in the budget. These include relocation of the field pump structure and replacement of the pumps, sprinkling of suites, additional secondary steel needed for installation of the new scoreboard, and addition of a fascia/ribbon board. In addition, the central Iowa construction market has become increasingly competitive, with bids on the last series of bid packages exceeding the estimate by approximately by almost 10%. The increase in the budget is being funded by a reallocation of funds between the south end zone and green space project components

Details of the Projects:

Buchanan Residence Hall – Building #2

<u>Project Summary</u>			
	<u>Amount</u>	<u>Date</u>	<u>Board Action</u>
Permission to Proceed		Feb. 2014	Approved
Initial Review and Consideration of Capital			Received
Project Evaluation Criteria		Feb. 2014	Report
Consideration of Use of Alternative		Feb. 2014	Approved
Delivery Method			
Utilization of Design-Build-Bridging		May 2014	Not Required*
Alternative Delivery Method			
Program Statement		Oct. 2014	Not Required**
Design – Build - Bridging			
Consultant			
(KWK Architects; St. Louis, MO))	\$ 617,780	Nov. 2014	Not Required**
Schematic Design		Dec. 2014	Requested
Project Description and Budget	49,500,000	Dec. 2014	Requested
Final Review and Consideration of Capital			Receive
Project Evaluation Criteria		Dec. 2014	Report

*Approved by the Executive Director, consistent with Board delegation

**Approved by the Executive Director, consistent with Board policy

The building would be organized to support the strong community-building housing system found in the existing residence halls. The hall community spaces and most hall support spaces would be on the First Floor in the west wing, with a 50 person residential house with lounges and compartmentalized baths on each of the upper floors. The north wing would provide one, 50 person residential house per floor (with associated house community and floor support spaces). The Lower Level would house the two Hall Director apartments in a “daylight/walkout” basement configuration, and would also include the building support functions.

The building exterior design criteria will suggest a contemporary image, consistent with recently constructed campus buildings. The building, with a predominately glazed exterior overlooking the open green space, would provide a pedestrian scale, welcoming element for residents. Design-Build teams will be allowed some flexibility to propose the final aesthetic design of the exterior for approval by the University. The building envelope will be designed for energy performance and minimum maintenance required. Selections will be based on life cycle cost analysis to maximize return on investment.

To enhance the residential and living environment, all residential areas will be separated with partitions and floor-ceiling systems. Residents will have control of heating and cooling for their bedroom and fresh air will be provided into each resident bedroom.

The following summarizes the square footage included in the building program and schematic design:

	Net Assignable <u>Square Feet</u>
Residential Spaces	
Traditional Shared (180 sf. ea. x 350)	<u>63,000</u>
Subtotal	63,000
House Community Spaces	
House Lounges (14) (20-25 capacity)	6,300
Compartmentalized Baths (56, 2 of ea fix)	<u>11,200</u>
Subtotal	17,500
Floor Support Spaces	
Recycle (9)	720
Housekeeping (9)	1,080
Electrical, Network (9 electrical; 4 network)	<u>760</u>
Subtotal	2,560
Hall Community Spaces	
Lobby	250
Hall Lounge	1,200
Student Kitchen	200
Study Rooms – Small (7)	1,260
Study Rooms – Large (3)	1,080
Computer / Print Room	180
Laundry (19 washers / 19 dryers)	<u>900</u>
Subtotal	5,070
Hall Support	
Front Desk, Front Desk Storage, Mail	500
Hall Director Offices (3)	540
Controlled Air Workroom	300
Conference Room	200
Vending	50
Public Restroom	500
Hall Director apartments (2) (2 BD/ 2 BA)	2,000
Hall Director Storage (2)	<u>240</u>
Subtotal	4,330
Building Support	
Staff Breakroom	250
Loading/Trash, Electrical, Mech, Network	<u>5,350</u>
Subtotal	5,600
TOTAL	98,060

Project Budget

	<u>Budget</u>
Construction	\$43,637,500
Planning, Design & Management	2,883,920
Furniture & Equipment	1,440,000
Contingency	<u>1,538,580</u>
TOTAL	<u>\$49,500,000</u>
Source of Funds:	
Dormitory System Revenue Bonds	<u>\$49,500,000</u>
TOTAL	<u>\$49,500,000</u>

The University anticipates beginning construction in May 2015 with completion for occupancy in January 2017.

Larch Residence Hall – Perimeter Wall Modifications

Project Summary

	<u>Amount</u>	<u>Date</u>	<u>Board Action</u>
Permission to Proceed		Oct. 2014	Approved
Selection of Story Construction as Construction Manager - Agent		Oct. 2014	Approved
Project Description and Budget	\$3,300,000	Dec. 2014	Requested

*Approved by the Executive Director, consistent with Board policy

An October 2013 study identified that the enclosure of Larch Residence Hall required thermal insulation at the exterior walls to reduce the potential for both summer and winter condensation.

Project Budget

	<u>Budget</u>
Construction	\$2,941,000
Planning, Design & Management	206,650
Furniture & Equipment	
Contingency	<u>152,350</u>
TOTAL	<u>\$3,300,000</u>

Source of Funds:
Residence System Improvement Funds

Jack Trice Stadium Improvements Phase 3 – South End Zone

<u>Project Summary</u>			
	<u>Amount</u>	<u>Date</u>	<u>Board Action</u>
Permission to Proceed		Feb. 2014	Approved
Initial Review and Consideration of Capital			Received
Project Evaluation Criteria		Feb. 2014	Report
Selection of The Weitz Company as Construction Manager – Agent		Feb. 2014	Approved
Design Professional Agreement (Neumann Monson Architects, Des Moines)	\$ 3,611,448	May 2014	Not Required*
Program Statement		May 2014	Not Required*
Schematic Design		June 2014	Approved
Project Description and Budget	46,000,000	June 2014	Approved
Financing Plan		June 2014	Approved
Reimbursement Resolution		June 2014	Approved
Final Review and Consideration of Capital			Received
Project Evaluation Criteria		June 2014	Report
Construction Manager – Agent Agreement	2,693,003	July 2014	Not Required*
Construction Contracts Awarded to Date	32,122,589	Various	Not Required*
Revised Project Description and Budget	53,000,000	Dec. 2014	Requested

*Approved by the Executive Director, consistent with Board policy

The revised budget of \$53,000,000, an increase of \$7,000,000, reflects the following:

- Field pump structure relocation and new field pumps; (The existing field pump structure was constructed forty years ago and the existing pumps have failed five times over the past three years. In late August, both main pump shafts sheared off during a storm.)
- Addition of fascia/ribbon board
- Addition of sprinkler system to west suites as required by State Fire Marshal;
- Structural coordination for scoreboard;
- Additional design and testing fees due to additional project scope; and
- Construction market conditions

Project Budget

	<u>Initial Budget (6/14)</u>		<u>Revised Budget (12/14)</u>	
Construction	\$38,747,000	*	\$46,380,570	*
Planning, Design and Management	5,463,780	*	5,644,280	*
Furniture & Equipment	250,000	*	-	
Contingency	<u>1,539,220</u>	*	<u>975,150</u>	*
South End Zone Project Costs	46,000,000	*	53,000,000	
Green Space Estimated Project Costs	<u>14,000,000</u>	**	<u>7,000,000</u>	**
TOTAL	<u>\$60,000,000</u>		<u>\$60,000,000</u>	
Source of Funds:				
Private Giving	\$25,000,000		\$25,000,000	
Athletic Department & Bond Proceeds	<u>35,000,000</u>		<u>35,000,000</u>	
TOTAL	<u>\$60,000,000</u>		<u>\$60,000,000</u>	

*Includes South End Zone budget only

**The schematic design, project description and budget for the future Green space Phase will be submitted for approval at a later date.

**Buchanan Residence Hall – Building #2
Evaluation Criteria**

Since the project meets the Board's definition of a major capital project, the University has provided the following information in response to the Board's evaluation criteria.

Institutional Mission / Strategic Plan: Student Success is one of the core missions of Iowa State University. On-campus housing contributes in the following ways:

- On-campus students are bench-marked to their off-campus peers in several ways:
 - Achieve higher GPAs by classification
 - More likely to graduate from Iowa State University
 - Higher first year to second year persistence
 - Take more classes
 - More successful transition to life at ISU
 - They like ISU
 - More well-rounded socially and participate in campus events and activities
 - Involved in leadership positions
 - Involved in campus recreation, student functions, and performances
- Participate in learning communities and have a higher campus involvement and stronger peer connections as well as a higher overall evaluation of the university and their experience.
- Achieve on campus housing capacity to meet 1/3 of the student body housing.

Alternatives Explored and Rationale for Proposed Project: Several siting alternatives to meet expanding New Direct from High School student demands for on-campus traditional housing have been considered. These alternatives include:

- Richardson Court Association (east side of campus),
- Union Drive Association (west side of campus),
- Towers Association (south side of campus).

The construction of traditional housing at the Buchanan site was identified as the most feasible alternative to provide the quality of living and learning environment.

Project Size and Impact on Other Facilities: This project adds approximately 151,000 GSF to the residential inventory to provide approximately 700 beds; no space will be vacated as a result of this project.

Financial Resources for Construction: Project funding of \$49,500,000 will be provided by Dormitory Revenue Bonds.

Operations and Maintenance Funding: The estimated operations and maintenance costs of the project are:

Operations and Maintenance - \$330,456
Utilities - \$434,382

Methods used to determine the costs:

Estimates of the Operating Budget Impact are based on actual costs and metered utilities for existing space and correlation with similar building types.

Compelling External Agency or Policy Issues: Since 2005 demand for on campus housing has grown from 7,909 to 11,270 in 2013. Total growth in demand has been 3,361 beds or 42.5%. To serve 11,270 students, the Department of Residence has leased 503 beds off campus, built 720 apartment beds at Frederiksen Court, and utilized 436 beds in den/common area locations.

With potential class sizes reaching 6,000 freshmen and 2,000 transfers and using historical return and capture rates, the Department of Residence could turn away between 1,030 students and 1,565 students in the next four years. The enrollment applications for 2014 indicate this trend will continue. This project will position the department and university to respond to a portion of that demand and provide a quality experience for students.

IOWA STATE UNIVERSITY
Department of Residence and ISU Dining
Proforma for FY16-FY25

	Actual FY2014	FY2015 Projected	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Income:												
Unit Income	75,443,000	79,253,382	83,150,684	87,953,177	86,237,504	88,737,138	91,395,187	94,084,753	96,860,866	99,711,859	102,651,257	105,676,921
Interest	458,499	176,000	306,000	306,000	306,000	306,000	306,000	306,000	306,000	306,000	306,000	306,000
Other Income	19,638,698	18,915,133	17,794,141	17,533,033	18,022,417	18,520,406	19,034,469	19,568,259	20,111,451	20,670,611	21,247,687	21,841,720
Adjusted Gross Income	95,540,197	98,344,515	101,250,825	105,792,210	104,565,922	107,563,544	110,735,656	113,959,012	117,278,317	120,688,469	124,204,944	127,824,641
Expenses:												
Salaries and Benefits	31,208,559	33,418,457	34,091,992	35,694,815	36,840,743	38,001,952	39,292,130	40,558,314	41,943,417	43,281,245	44,691,698	46,004,008
Maintenance & Repair	2,731,099	3,154,658	3,398,828	3,581,035	3,759,567	3,921,010	4,069,181	4,223,017	4,382,735	4,548,569	4,720,753	4,899,534
Utilities	7,491,472	7,487,024	8,033,540	8,587,330	8,404,405	8,730,589	9,069,756	9,422,437	9,789,180	10,170,567	10,567,205	10,979,724
Cost of Food	12,717,093	12,766,341	13,239,967	13,358,157	13,758,397	14,170,645	14,595,261	15,032,615	15,483,089	15,947,078	16,424,986	16,917,232
Commissions	934,614	898,259	598,791	616,755	635,257	654,315	673,945	694,163	714,988	736,437	758,531	781,287
Other Operating Expenses	13,123,537	15,695,926	16,220,205	16,939,060	11,141,742	11,483,892	11,836,679	12,200,401	12,575,460	12,962,167	13,360,897	13,763,590
Total Operating Expense	68,206,375	73,420,665	75,583,323	78,777,151	74,540,111	76,962,404	79,536,952	82,130,846	84,888,869	87,646,063	90,524,070	93,345,374
Net Available for Surplus	27,333,822	24,923,850	25,667,502	27,015,059	30,025,810	30,601,139	31,198,704	31,828,066	32,389,448	33,042,406	33,680,875	34,479,267
Debt Service	12,429,680	13,777,308	16,447,519	16,427,099	16,410,184	16,399,356	16,551,186	15,721,794	15,758,342	15,744,054	15,798,836	15,670,957
University Overhead	2,117,087	2,179,571	2,411,685	2,574,373	2,665,800	2,760,538	2,858,708	2,960,438	3,065,858	3,175,105	3,288,321	3,405,651
Revenue Fund to Reserve Fund	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Revenue Fund to Improvement Fund	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
Net Available for Surplus	15,046,767	16,456,879	19,359,204	19,501,472	19,575,984	19,659,894	19,909,894	19,182,232	19,324,200	19,419,159	19,587,157	19,576,609
Annual Debt Coverage Ratio	12,287,055	8,466,971	6,308,299	7,513,587	10,449,826	10,941,246	11,288,810	12,645,834	13,065,248	13,623,247	14,093,718	14,902,658
Beginning Surplus Balance	17,126,359	17,189,697	11,014,347	8,534,562	6,409,125	5,903,685	5,792,776	5,321,811	5,381,430	4,411,633	3,193,034	3,036,832
Net Available for Surplus	12,287,055	8,466,971	6,308,299	7,513,587	10,449,826	10,941,246	11,288,810	12,645,834	13,065,248	13,623,247	14,093,718	14,902,658
Transfer to Improvement Fund	(12,300,000)	(11,866,645)	(8,853,084)	(9,704,025)	(11,020,266)	(11,117,155)	(11,824,775)	(12,651,216)	(14,100,044)	(14,906,846)	(14,314,920)	(14,824,317)
Other Transfers In (Out)	1,261,043	750,000	-	-	-	-	-	-	-	-	-	-
Bond Interest	66,422	85,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000
Surplus Expenditures - Capital	(1,250,000)	(3,610,676)	-	-	-	-	-	-	-	-	-	-
Surplus Expenditures - Non Capital	(1,182)	-	-	-	-	-	-	-	-	-	-	-
Ending Surplus Balance	17,189,697	11,014,347	8,534,562	6,409,125	5,903,685	5,792,776	5,321,811	5,381,430	4,411,633	3,193,034	3,036,832	3,180,173

Map Showing Location of Larch Hall

